

Human Services Client Trust Fund–7290 Trust Accounting
System Procedures

03.004.00

Effective Date: September 12, 1997

Revised: February 9, 2007

**Department of Human Services
Client Trust Fund 7290
Trust Accounting System Procedures**

These accounting procedures are required for the Trust Accounting System. The procedures are considered minimum requirements for helping establish and maintain an adequate internal control environment associated with the Trust Accounting System. Because these procedures are considered to be minimum guidance, each Division/Office is expected to implement any additional procedures considered necessary and reasonable in order to effectively manage and safeguard the Human Services Client Trust Fund assets.

The following procedures are specific to Fund 7290; however, the minimum internal control concepts covered in these procedures (03.004.00) are applicable to all Department client trust funds.

These procedures cover accounting related issues. Policies regarding the actual management of the Trust Funds are the responsibility of the applicable Divisions.

I. Receipting

- A. Human Services Client Trust Fund (Trust Fund) receipts should be properly deposited at least once every three business days into the appropriate checking account with the bank. Upon receipt, checks should be promptly stamped "for deposit only" and, along with cash, properly secured until deposited into the bank.
- B. Trust Fund receipts shall be posted to the Trust Accounting System in a timely manner, preferably within one day of deposit (or receipt of deposit detail for electronic funds transfers). The Independent Review section provides additional control related to the receipting process.
- C. If a Social Security check is received for a closed account or deceased client, the check should be receipted normally and entered into either the receipt writer program or mail log, then returned to Social Security, using certified mail. A note of explanation detailing the death of the client, or the closure of the account and the client's last known whereabouts should accompany the check. Social Security should issue a receipt upon receiving the returned check. This receipt must be kept as supporting documentation.

- D. If a Social Security electronic funds transfer is received for a closed account (see E if client is deceased), the account will need to be re-opened and the deposit entered. A check for the balance will then need to be written and the same procedures for returning a Social Security check as described above (C), should be followed. After issuing check, promptly close the client account.
- E. If a Social Security electronic funds transfer is received for a deceased client, inform Social Security of the client's death. Social Security should then initiate the return of the funds electronically to Social Security. Do not re-open the client account or enter the deposit amount into the Trust Fund system.
- F. If the client of a closed account owes outstanding cost of care, and either a check or electronic funds transfer from Social Security is received; determine if proper to pay outstanding balance. If determined proper, then the account will need to be opened, funds recorded to the account, cost of care check issued, and then any remaining balance sent to Social Security following procedures listed above (C and D). If determined not proper to pay outstanding cost of care, then follow procedures for returning funds to Social Security.

II. Fund Disbursements

- A. A properly completed and approved Disbursement Request Form (Form 298) along with reasonable supporting documentation is required in order to process a Trust Fund disbursement. The Form 298 is required to be initiated and signed by the caseworker. Additionally, the caseworker's supervisor is required to approve and sign the Form 298 if the requested amount exceeds \$500.
- B. Before issuing a check, the custodian must ensure sufficient balance in a client account to cover the disbursement.
- C. For on-going residential care payments over \$500, approval by the caseworker's supervisor is required for the initial monthly payment. Subsequent payments may be processed without the additional supervisor signature unless there is a change from the prior month. There must be at least an annual review of the on-going authorization with caseworker and supervisor signatures approving the on-going payment arrangement. Changes to the payee or the payment amount require the additional supervisor approval for residential care payments exceeding \$500.
- D. The Form 298 should be totaled by the caseworker with the total amount written on the form and the total amount initialed by the caseworker.
- E. Completed checks require the signature of two separate individuals, who verify that the check is reasonable and supported with adequate documentation.

Generally, check signers shall not be authorized to approve a Form 298 or have access to the accounting system. Thus, caseworkers and custodians should not be check signers. Exceptions may be granted by the Office of Fiscal Operations (OFO) for extenuating circumstances where compliance with this procedure causes undue hardship, and where explanation of compensating controls have been provided.

- F. Authorized check signers should be limited to as few employees as is reasonable and necessary to provide adequate back-up. Authorized check signers should be updated timely with employee turnover, and all signature card changes must originate and be authorized by OFO.
- G. Blank checks should be kept in a secured, locked place only accessible to the Trust Custodian or the Custodian's back-up. Completed checks should be sent directly to the vendor or client. Circumstances (such as the objective to teach proper handling of funds to client) may possibly exist for a caseworker to handle the check, or accompany a client to cash a personal needs check. The client must be present for a caseworker to be involved in cashing a personal needs check, and the check must not be written to the caseworker.
- H. If a completed check is not sent directly to the vendor or client, the individual obtaining the check must sign a log (maintained by the Trust Custodian) representing their responsibility for the check. In addition, adequate internal control procedures must be implemented by the Trust Custodian's office ensuring that the disbursement is properly handled and used for proper purposes. The office must have these procedures written and available for auditor review. Procedures may include client verification of receiving the check, documentation of what was done with the check, or the client's receipt of funds after a check is cashed.

III. Check voiding

- A. Checks should be voided in Quickbooks after remaining outstanding for 90 days. The vendor should be contacted after 60 days outstanding to resolve the issue. After the 90 day outstanding period, the custodian may void the check in Quickbooks with the approval of their supervisor. Documentation of this approval, and the resulting printed voided check form (from the system) should be kept with the voided check documentation.
- B. A voided check may require a "stop payment" be placed. A stop payment is required if the voided check is over \$500, or if the check is to be re-issued. Stop payments are issued online, and evidence of the stop payment should be documented and maintained with the voided check.

- C. Excessive check voiding should not occur. The Trust Custodian Office should investigate procedures and circumstances if checks are being voided on a regular basis, especially if related to the same person or vendor. The OFO Trust Fund Coordinator should be notified of any stop payment issuance or voided check that is subsequently cashed.

IV. Bank Reconciliation

- A. The Trust Custodian must complete a monthly bank reconciliation in which the Bank Statement must reconcile with deposit records, the Trust Fund System, and Disbursement Request Forms.
- B. The Trust Custodian and the custodian's Supervisor must sign and date the monthly bank reconciliation.
- C. A copy of the completed, signed Reconciliation Detail and Client Alpha Report shall be submitted to OFO (Bureau of Finance) by the 15th of each following month.

V. Independent Review

Independent Review of each Trust fund location shall be performed for each half of the calendar year. They are due to the OFO Trust Fund Coordinator by February and August 15th, following the end of each six-month period.

VI. Dedicated Account

- A. Money specified by Social Security as "dedicated" is not allowed to be intermingled with other funds. A separate account is used to handle these funds. The OFO Trust Fund Coordinator must be contacted in the event of an office receiving any such money. Access to the dedicated bank account may only be obtained through coordination with the OFO Trust Fund Coordinator.
- B. Permission must be received by Social Security before any payment may be issued. Written documentation (received via e-mail, letter, etc.) of this permission must be kept with the check.
- C. All other trust accounting policies and procedures apply.